Finance, Trade and Development

# Matthew Poggi

A fundamental objective of my Mansfield Fellowship was to better understand the process of official policymaking in Japan. Central to understanding this process is being able to get perspective on the balance of power between politicians and bureaucrats. Using the lens of the bureaucrat-politician relationship, much has been written about financial and economic policymaking, my professional area of interest. Very little, however, has been aided by the types of experiences available to Mansfield Fellows. My experiences supported some of the conventional wisdoms, countered it in other areas and gave me insight that I will continue to use over the course of my career.

The balance of power in Japan between the bureaucrats, politicians and the corporate sector has fluctuated over time with differing economic and political conditions, and the assessment of which group is ascendant is a regular source of debate. In 2010, the year my placement in Japan began, the world was still struggling through the after-effects of a financial crisis; the new ruling party was advocating *datsu kanryo* (i.e., removal or separation from the influence of bureaucrats in policymaking) and was trying to establish a centralized and politician-led office for national policy. I was keen to see the dynamics of this relationship in this novel environment.

While placed in a Diet member's office, I witnessed an exchange that gave me considerable insight into the relationship between bureaucrats and politicians. Mirroring a scene from the classic British television comedy program "Yes Minister," the event, in addition to making me smile, caused me to think about what a healthy bureaucrat-politician balance required.

During my tenure with Diet member Kouhei Ohtsuka, he was appointed Senior Vice Minister of Health, Labour and Welfare. Staff from the ministry prepared for the new vice minister's transition to his new office at the ministry by inquiring into his needs, substantial or otherwise. At one point, straight out of the script of the show, ministry staff asked what kind of chair the new vice minister requires. In the comedy, ministry staff answers that there are two kinds of chairs to go with two kinds of minister, "One sort folds up instantly, the other sort goes round and round

in circles." The fictional ministry staff obviously believed that they controlled the minister and were in charge of government policy.

Similarly, it is a conventional view that Japan's bureaucrats have dominated politicians in the decades following the Second World War, and were able to lead a type of industrial policy that helped support the long and vibrant post-war economic expansion. Bureaucrats, in consultation with the corporate sector, decided economic policy, leaving politicians with little voice. The bureaucrats' claim to lead, however, was weakened with the collapse of the bubble economy in the early 1990s, and their reputation and strength suffered further as autonomous economic growth was not restored during the so-called "lost decade."

In the early 2000s, Prime Minister Junichiro Koizumi sought to wrest more power from the chided bureaucrats and deliver it to politicians and ministers. The prime minister's success in encouraging a much-needed clean-up of the banking system, promoting structural reforms and, ultimately, overseeing better economic performance, seemed to have laid the groundwork for politicians to be more assertive and accountable. The post-Koizumi era, however, was filled with a series of short-term administrations followed by an historic change in government in 2009.

By 2010, the new administration postured itself as ready to challenge the bureaucrats again. My colleagues at several of Japan's agencies heard the political rhetoric and felt the cutbacks in numbers and pressures on salaries. Their influence on policy, however, did not disappear.

In my placement at the Ministry of Finance, I stayed with colleagues late into the night as they answered written questions by Diet members due the following day. "Will Japan be struck by a Greek-like debt crisis?" "Are investors worried by Japan's debt burden?" "Does Japan need to reduce its deficit and debt?" The Ministry steered Diet members with too few staff of their own, through difficult economic questions with thorough research and a consistent viewpoint. The Diet's passage earlier this year of an increase in the consumption tax reveals, in part, the guiding hand of bureaucrats.

In my placement in Councillor Ohtsuka's office, I saw the relationship from the opposite side. Bureaucrats from many different agencies would visit, few with appointments, and the Diet member, with no policy staff of his own, leaned heavily on their analysis and views to shape his policy positions. I could see that Diet members had no choice but to rely on the ministries. Politicians, however, need to temper this reliance with a considerable degree of independent judgment, and have

the skill to build a strong, honest rapport with the bureaucrats in order for the best policy outcomes to be reached.

I could see that the new vice minister was capable of forming such balanced relationships. As for the chair in his new office, he brought his own.

---

**Matthew Poggi** participated in the Mike Mansfield Fellowship Program as a representative of the U.S. Department of Treasury from 2009–2011. During his Fellowship year in Japan, he served in full-time placements in Japan's Ministry of Finance, Financial Services Agency, Bank of Japan and in the office of the Honorable Mr. Kouhei Ohtsuka, DPJ Member, House of Councillors. He currently is an economist at the U.S. Department of the Treasury.